

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Iron River Township	County Iron
Fiscal Year End 03/31/06	Opinion Date 06/08/06	Date Audit Report Submitted to State 07/21/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

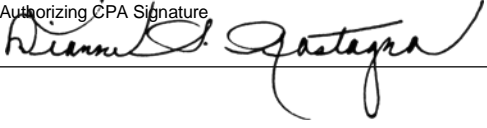
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	There are no issues to be reported	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) DS Rostagno CPA P.C.		Telephone Number 906-265-1040	
Street Address 101 West Maple Street		City Iron River	State MI
		Zip 49935	
Authorizing CPA Signature 		Printed Name Dianne S. Rostagno, CPA	License Number A245771

IRON RIVER TOWNSHIP

**Financial Report
With Supplemental Information
Prepared in Accordance with GASB 34**

MARCH 31, 2006

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INDEPENDENT AUDITOR'S REPORT

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Board of Trustees
Iron River Township
102 McNutt Road
Iron River, Michigan 49935

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of **Iron River Township**, as of and for the fiscal year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Trustees, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

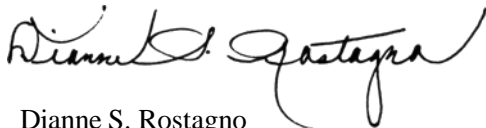
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of **Iron River Township** at March 31, 2006, and the respective changes in financial position and cash flows thereof for the fiscal year ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 08, 2006 on our consideration of **Iron River Township's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 8 through 21 and the budgetary comparison information are not required parts of the basic financial statements but are supplemental information required by the *Governmental Accounting Standards Board* and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Iron River Township's** basic financial statements. The combining and individual fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno", written in a cursive style.

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

June 08, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

IRON RIVER TOWNSHIP

IRON RIVER, MICHIGAN 49935

PHONE: 906/265-3403

FAX: 906/265-3413

The management of **Iron River Township** provides this narrative overview and analysis of the financial activities of **Iron River Township** for the fiscal year ended March 31, 2006. As readers, you are encouraged to read this discussion and analysis in conjunction with the Township's financial statement information included in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the Township include general government, legislative, public safety, public works, cemetery, Township property, parks and recreation. The business-type activities of the Township are the Water and Sewer utility services.

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Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains five governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund which is considered to be a major fund. The cemetery operation fund is also classified as a major fund. The liquor law enforcement fund, the capital projects fund, and the cemetery perpetual care fund (classified as a permanent fund) are non-major governmental funds. Individual fund data for each fund is presented separately in the "Other Supplementary Information" section of this report.

The Township adopts an annual budget for its general and other special revenue funds. To demonstrate compliance with this budget, budgetary comparison statements have been provided for the general and cemetery operation funds (the Township's major governmental funds) which are included in the "Required Supplementary Information" section of this document.

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Proprietary Funds

Proprietary Funds provide services for which the Township charges customers a fee. The Township has only one type of proprietary fund - enterprise funds. The enterprise funds of the Township are used to report the same functions as the business-type activities in the government-wide financial statements. The Water and the Sewer Utility funds are presented separately in both the government-wide financial statements and the fund financial statements and both are considered major funds. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary fund for the Township is the Tax Collection Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

Notes to the Financial Statements

Notes to the financial statements are included in the basic financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

Supplementary Information

Required supplementary information follows the basic financial statements, and includes budgetary comparison schedules for the general fund and the cemetery operation fund (the only major governmental funds) as presented in the governmental fund financial statements.

A separate financial statement for the Township's non-major governmental funds is also included in the Other Supplementary Information section of this document.

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Government-wide Financial Analysis

In time, net assets of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the Township, assets exceeded liabilities by \$3,601,923 at March 31.

By far, the largest portion of the Township's net assets is its investment in capital assets (land, buildings, machinery, and equipment), less any outstanding debt related to acquiring the asset. These capital assets are used to provide services to citizens and are not available for future spending. The Township had no outstanding debt at March 31, 2006; hence, the Township reported \$2,151,184 in net assets invested in capital assets.

External restrictions of the Township's net assets represent resources subject to existing external obligations or programmatic control on future use. The remaining balance of unrestricted net assets of \$1,084,706 may be used to meet the government's ongoing obligations to citizens and creditors.

Total net assets in excess of liabilities at March 31 for the governmental activities and business-type activities were \$1,115,889 and \$2,486,034, respectively.

Following is a comparative summary of net assets at fiscal years ended March 31, 2006 and March 31, 2005:

	March 31, 2006		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<u>Assets</u>			
Current and other assets	\$ 1080563	\$ 381848	\$ 1462411
Capital assets, net	<u>39809</u>	<u>2111375</u>	<u>2151184</u>
Total Assets	\$ 1120372	\$ 2493223	\$ 3613595

IRON RIVER TOWNSHIP

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Government-wide Financial Analysis (Continued)

March 31, 2006			
Primary Government			
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<u>Liabilities</u>			
Long-term liabilities	\$ 0	\$ 0	\$ 0
Other liabilities	<u>4483</u>	<u>7189</u>	<u>11672</u>
Total Liabilities	4483	7189	11672
<u>Net Assets</u>			
Invested in capital assets, net of related debt	39809	2111375	2151184
Reserved	157683	0	157683
Designated	0	208350	208350
Unreserved, undesignated	<u>918397</u>	<u>166309</u>	<u>1084706</u>
Total Net Assets	\$1115889	\$2486034	\$3601923

March 31, 2005			
Primary Government			
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<u>Assets</u>			
Current and other assets	\$ 1078620	\$ 331813	\$ 1410433
Capital asset, net	<u>37995</u>	<u>2056555</u>	<u>2094550</u>
Total Assets	\$ 1116615	\$ 2388368	\$ 3504983
<u>Liabilities</u>			
Long-term liabilities	0	0	0
Other liabilities	<u>831</u>	<u>0</u>	<u>831</u>
Total Liabilities	\$ 831	\$ 0	\$ 831

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Government-wide Financial Analysis (Continued)

	March 31, 2005		
	Primary Government		
	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	\$ 37995	\$ 2056555	\$ 2094550
Reserved	215311	0	215311
Designated	0	135368	135368
Unreserved	<u>862478</u>	<u>196445</u>	<u>1058923</u>
Total Net Assets	\$ 1115784	\$ 2388368	\$ 3504152

For governmental activities, net assets increased by \$105 during the 2005-2006 fiscal year . For business-type activities, net assets increased by \$97,666 during the fiscal year.

The following represents the comparative changes in net assets for both governmental and business-type activities for the fiscal years ended March 31, 2006 and March 31, 2005:

	March 31, 2006		
	Primary Government		
	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<u>REVENUES</u>			
<i>Program Revenues</i>			
Charges for services	\$ 54062	\$ 253751	\$ 307813
Operating grants/ contributions	33450		33450
<i>General Revenues</i>			
Property taxes	112571		112571
Other taxes	17470		17470
Unrestricted grants	89381		89381
Other	<u>28418</u>	<u>8875</u>	<u>37293</u>
Total Revenues	\$ 335352	\$ 262626	\$ 597978

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Government-wide Financial Analysis (Continued)

	March 31, 2006		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<u>EXPENSES</u>			
General government	\$ 87858	\$ 0	\$ 87858
Legislative	13444		13444
Township property	33653		33653
Public safety	20606		20606
Public works	71157		71157
Cemetery	29753		29753
Parks and recreation	1520		1520
Depreciation	<u>4043</u>	<u>0</u>	<u>4043</u>
Total governmental expenses	\$ 262034	\$ 0	\$ 262034
<u>Business-type activities</u>			
Water	0	115179	115179
Sewer	<u>0</u>	<u>122994</u>	<u>122994</u>
Total business-type expenses	0	238173	238173
TOTAL EXPENSES	\$ 262034	\$ 238173	\$ 500207
Increase (Decrease) in net assets before transfers	73318	24453	97771
Transfers – net	<u>-73213</u>	<u>73213</u>	<u>0</u>
Increase (Decrease) in net assets	105	97666	97771
Net Assets, beginning of year	1115784	2388368	3504152
Net Assets, end of year	\$ 1115889	\$ 2486034	\$ 3601923

IRON RIVER TOWNSHIP

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Government-wide Financial Analysis (Continued)

March 31, 2005			
<u>Primary Government</u>			
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<u>REVENUES</u>			
<i>Program Revenues</i>			
Charges for services	\$ 39444	\$ 249786	\$ 289230
Operating grants/contributions	27985	0	27985
<i>General Revenues</i>			
Property taxes	106950		106950
Other taxes	14836		14836
Unrestricted grants	90105		90105
Other	<u>19887</u>	<u>11789</u>	<u>31676</u>
Total Revenues	\$ 299207	\$ 261575	\$ 560782
<u>EXPENSES</u>			
General government	\$ 84556	\$ 0	\$ 84556
Legislative	26830		26830
Township property	31063		31063
Public safety	19774		19774
Public works	73496		73496
Cemetery	24441		24441
Parks and recreation	1490		1490
Depreciation	<u>3761</u>	<u>0</u>	<u>3761</u>
Total governmental expenses	\$ 265411	\$ 0	\$ 265411
<u>Business-type activities</u>			
Water	0	121014	121014
Sewer	<u>0</u>	<u>139973</u>	<u>139973</u>
Total business-type expenses	0	260987	260987
TOTAL EXPENSES	\$ 265411	\$ 260987	\$ 526398

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Government-wide Financial Analysis (Continued)

	March 31, 2005		
	Primary Government		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Increase (Decrease) in net assets before transfers	\$ 33796	\$ 588	\$ 34384
Transfers – net	<u>0</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Assets	33796	588	34384
Net Assets, beginning of year	939029	2515832	3454861
Cumulative effect of a change in the application of accounting principles	142959	(128052)	14907
Net Assets, end of year	\$ <u>1115784</u>	\$ <u>2388368</u>	\$ <u>3504152</u>

Governmental Activities

Property taxes and other tax revenues comprise \$130,041 or approximately 39 percent of total governmental revenues.

The Township also collected \$54,062 for services provided. And, at fiscal year-end, the Township reported \$89,381 in grants and contributions not restricted for specific programs. This amount was due entirely to the State of Michigan's state sales tax distribution and comprises approximately 27 percent of total governmental revenues.

The Township expended \$262,034 on governmental programs and services. Some of the largest expense categories were for general government, where \$87,858, or 34 percent of total governmental expenditures were reported. Public works expenditures were \$71,157, or 27 percent of total governmental expenditures. A total of \$33,653 was expended on the maintenance of Township property.

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Business-type Activities

Business-type activities increased the Township's net assets by \$97,666. Charges for services for the Water and Sewer activities for the year ended were \$126,272 and \$127,479, respectively. Total expenses for the Water and Sewer activities for the year ended were \$115,179 and \$122,994, respectively.

Financial Analysis of the Governmental Funds

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Township's governmental funds reported combined ending fund balances of \$1,076,080, of which \$157,683 is reserved and the remaining \$918,397 is available for spending at the government's discretion.

The Township primary governmental fund is its general fund. There are no reservations in the general fund's fund balance.

On the budgetary basis of accounting, the Township ended the fiscal year with revenues greater than the original or final projection. Total expenditures were considerably less than the original or final projection. At fiscal year-end, the fund balance was higher than either the original or the final amended budget projections.

Revenues – Budget vs Actual for Fiscal Year Ended March 31, 2006

	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Revenues Variance Actual vs Original Budget	Revenues Variance Actual vs Final Budget
General Fund	\$ 251380	\$ 257136	\$ 283625	\$ 32245	\$ 26489
Cemetery Fund	\$ 25150	\$ 38660	\$ 40353	\$ 15203	\$ 1693

IRON RIVER TOWNSHIP

IRON RIVER, MICHIGAN 49935

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Governmental Funds (Continued)

Expenditures – Budget vs Actual for Fiscal Year Ended March 31, 2006

	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Variance Actual vs Original Budget	Expenditures Variance Actual vs Final Budget
General Fund	\$ 251380	\$ 238795	\$ 227706	\$ 23674	\$ 11089
Cemetery Fd	\$ 25150	\$ 38330	\$ 35610	\$ (10460)	\$ 2720

General fund financial and budgetary highlights of the fiscal year include:

- * Property taxes, administration fees, and other taxes exceeded final budgetary projections by \$13,935.
- * Intergovernmental funding was up from the final amended budget, coming in at \$122,308, which exceeds by \$9,388 the final budgeted estimate of \$ 112,920.
- * Expenditures in total for the general fund were \$227,706, less than the final amended budget of \$238,795 by \$11,089. This was due to the fact that expenditures for all Township activities were slightly less than the amounts appropriated for these purposes.

Cemetery operating fund budgetary highlights were as follows:

- * Revenues received from grave openings, sale of lots and vault rental were all considerably greater than amounts originally budgeted, and slightly greater than estimated in the final amended budget.
- * Expenditures were greater than originally budgeted, but very close to the final amended budget estimates.

IRON RIVER TOWNSHIP

IRON RIVER, MICHIGAN 49935

PHONE: 906/265-3403

FAX: 906/265-3413

Proprietary Funds

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unreserved and undesignated net assets of the Water Fund at year-end were \$ 49,541; \$248,690 of Township equity in the Water Fund was invested in capital assets, and \$208,350 was designated for water system improvements. Total net assets in the Water Fund on March 31 was \$ 506,581. The change in nets assets was a gain of \$91,271.

Unreserved and undesignated net assets of the Sewer Fund at year-end were \$116,769. An additional \$1,862,684 was invested in capital assets, bringing the total net assets of the Sewer Fund to \$1,979,453. The change in net assets was a gain of \$6,395.

Capital Assets and Debt Administration

Capital Assets

The Township's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of March 31 was \$ 2,111,374. The investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, and licensed vehicles.

Infrastructure assets represent \$ 2,855,738 or approximately 83 percent of the estimated original cost of total assets. All infrastructure is accounted for in the Water, Sewer, and Cemetery Funds. There is no infrastructure attributed to the General Fund.

Major capital events during the current fiscal year included:

- * Construction was nearly completed on Phase I of the water system improvement project. At the close of the 2005-2006 fiscal year, the Township had expended \$128,976 on Phase I of this project. This consisted of electrical upgrades of all three wells in the Township.

IRON RIVER TOWNSHIP

IRON RIVER, MICHIGAN 49935

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Long-term debt

As of March 31, the Township (including the enterprise funds) had no bonded debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. Since the Township has no general obligation debt, this is not currently a concern to the Township.

Other Economic Factors and Next Year's Budget

Economic Factors

Despite economic uncertainties, the Township will continue to strive to provide good social and cultural conditions that support healthy families, and maintain a safe and clean community in which to live.

Major Accomplishments and Priorities.

- A plan of action was implemented to determine how best to continue offering water service to Township residents. The board took additional steps to reduce continued and further deterioration to the water infrastructure by installing variable frequency start motors for all three well systems, which eliminated the heavy water hammer that abused the piping system and pipe joints.

A new ordinance was drafted and implemented to cover the water utility system.

The township investment policy was reviewed and rewritten.

A thorough review of water customers is being undertaken to assure that all customers are being properly billed. The accounting system and the internal control system is being examined and corrections and improvements are being made.

Over the process of the last year, the Board of Trustees has developed into a team jointly looking at and reviewing Township challenges and issues. Trustees are taking an active roll and function in the Township's well-being.

An application was completed and submitted to the DEQ Water Revolving Loan fund to complete additional DEQ requirements. A response is expected in the 2006-2007 fiscal year.

IRON RIVER TOWNSHIP

IRON RIVER, MICHIGAN 49935

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* *Looking forward...*

Two more major portions of the water project remain for the next several years. DEQ requirements consist of each well system having a backup water supply system in order to maintain water under emergency situations for a minimum of 24 hours. The proposed plan is to connect the Nash and Ryden wells by replacing the current line between the two with an 8-inch line from the Township Hall location to the US2-Nash location. The two will then act as backup for each other. In addition, the Beechwood system will require an additional new well head and expansion of security fencing. This may also include an additional land purchase for the well location. A backup power supply will also be required.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
Iron River Township
102 McNutt Road
Iron River, Michigan 49935

BASIC FINANCIAL STATEMENTS

IRON RIVER TOWNSHIP

STATEMENT OF NET ASSETS

MARCH 31, 2006

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
<u>ASSETS</u>	<u>Activities</u>	<u>Activities</u>	<u>Reporting Entity</u>
<u>Current Assets</u>			
Cash and Investments (Note C)	\$ 985,785	\$ 251,998	\$ 1,237,783
Receivables			
Taxes	8,366	-	8,366
Accounts Receivable	838	6,185	7,023
Due from External Parties	889	-	889
Internal Balances	84,685	(84,685)	-
Total Current Assets	<u>1,080,563</u>	<u>173,498</u>	<u>1,254,061</u>
<u>Noncurrent Assets</u>			
Designated Cash and Investments	-	208,350	208,350
Capital Assets, Net (Note H)	39,809	2,111,375	2,151,184
Total Noncurrent Assets	<u>39,809</u>	<u>2,319,725</u>	<u>2,359,534</u>
TOTAL ASSETS	\$ 1,120,372	\$ 2,493,223	\$ 3,613,595
<u>LIABILITIES</u>			
<u>Current Liabilities</u>			
Accounts Payable	2,910	7,189	10,099
Accrued Salaries and Benefits	1,498	-	1,498
Deferred Revenue	75	-	75
Total Current Liabilities	<u>4,483</u>	<u>7,189</u>	<u>11,672</u>
<u>Noncurrent Liabilities</u>			
Bonds/Notes Payable (Note I)	-	-	-
Compensated Absences Payable	-	-	-
Long-term Employee Benefits Payable	-	-	-
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	4,483	7,189	11,672
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	39,809	2,111,375	2,151,184
Reserved for Cemetery Operations	63,348	-	63,348
Reserved for Cemetery Perpetual Care	93,106	-	93,106
Reserved for Capital Projects	-	-	-
Reserved for Liquor Law Enforcement	1,229	-	1,229
Designated for Water System Improvements	-	208,350	208,350
Unreserved and Undesignated	918,397	166,309	1,084,706
TOTAL NET ASSETS	<u>\$ 1,115,889</u>	<u>\$ 2,486,034</u>	<u>\$ 3,601,923</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2006

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants</u>
Primary Government -				
General government	\$ 87,858	\$ 7,790	\$ -	\$ -
Legislative	13,444	-	-	-
Township property	33,653	647	-	-
Public safety	20,606	150	523	-
Public works	71,157	-	32,927	-
Cemetery	29,753	45,475	-	-
Parks and recreation	1,520	-	-	-
Depreciation (Unallocated)	4,043	-	-	-
 Total Governmental Activities	 \$ 262,034	 \$ 54,062	 \$ 33,450	 \$ -
 <u>Business-type Activities</u>				
Water Utility	115,179	126,272		
Sewer Utility	122,994	127,479		
 Total Business-type Activities	 \$ 238,173	 \$ 253,751		

General Revenues:

Taxes:

 Property taxes levied for general operations

 Other taxes and fees

State Sales Tax Distribution

Sale of Property

Interest and Investment Earnings

Other

Total General Revenues

Other Financing Sources (Uses)

Residual Equity Transfer In (Out)

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

IRON RIVER TOWNSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2006

***Net (Expense) Revenue and Changes
in Net Assets***

Governmental Activities	Business-type Activities	Total
\$ (80,068)	\$ -	\$ (80,068)
(13,444)		(13,444)
(33,006)		(33,006)
(19,933)		(19,933)
(38,230)		(38,230)
15,722		15,722
(1,520)		(1,520)
(4,043)		(4,043)
<hr/>		<hr/>
\$ (174,522)	\$ -	\$ (174,522)
	11,093	11,093
	4,485	4,485
	<hr/>	<hr/>
	\$ 15,578	\$ 15,578
112,571		112,571
17,470		17,470
89,381		89,381
-	-	-
26,419	8,875	35,294
1,999	-	1,999
<hr/>	<hr/>	<hr/>
247,840	8,875	256,715
<hr/>		<hr/>
(73,213)	73,213	-
105	97,666	97,771
1,115,784	2,388,368	3,504,152
<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
\$ 1,115,889	\$ 2,486,034	\$ 3,601,923

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

MARCH 31, 2006

	<u>General Fund</u>	<u>Cemetery Operating Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and Investments (Note C)				
Unrestricted	\$ 828,102	\$ 36,014	\$ 121,669	\$ 985,785
Restricted	-	-	-	-
Receivables:				-
Taxes	8,366	-	-	8,366
Accounts Receivable	838	-	-	838
Due from Other Funds	85,574	1,425	-	86,999
TOTAL ASSETS	<u>\$ 922,880</u>	<u>\$ 37,439</u>	<u>\$ 121,669</u>	<u>\$ 1,081,988</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Deposits	75	-	-	75
Accrued Taxes and Benefits	1,498	-	-	1,498
Accounts Payable	2,910	-	-	2,910
Due to Other Funds	-	-	1,425	1,425
TOTAL LIABILITIES	4,483	-	1,425	5,908
<u>FUND BALANCES</u>				
Reserved for Cemetery Operations		37,439	25,909	63,348
Reserved for Cemetery Perpetual Care			93,106	93,106
Reserved for Capital Projects	-	-	-	-
Reserved for Liquor Law Enforcement			1,229	1,229
Unreserved and Undesignated	918,397	-	-	918,397
TOTAL FUND BALANCES	918,397	37,439	120,244	1,076,080
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 922,880</u>	<u>\$ 37,439</u>	<u>\$ 121,669</u>	<u>\$ 1,081,988</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

GOVERNMENTAL FUNDS

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

MARCH 31, 2006

Fund Balances - Total Governmental Funds	\$ 1,076,080
---	---------------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

The cost of capital assets is:	331,303
Accumulated depreciation is:	(291,494)

Long term liabilities are not due and payable in the current period and are not reported in the funds:

Bonds Payable	-
Compensated Absences	-

Other long term assets not available to pay current period expenditures therefore deferred in the funds

-

Accrued interest is not included as a liability in governmental funds

-

Total Net Assets - Governmental Activities	<u><u>\$ 1,115,889</u></u>
---	-----------------------------------

IRON RIVER TOWNSHIP

**GOVERNMENTAL FUNDS - STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES**

YEAR ENDED MARCH 31, 2006

	<u>General Fund</u>	<u>Cemetery Operating Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenue</u>				
General Property taxes	\$ 112,571	\$ -	\$ -	\$ 112,571
Other local taxes	2,263			2,263
Penalties, interest, and fees- taxes	15,207			15,207
Licenses, permits, and fines	2,455			2,455
Sale of property	-	-	-	-
Use of money and property	21,487	2,103	7,389	30,979
Charges for services	5,335	38,250	5,475	49,060
Miscellaneous	1,999			1,999
Intergovernmental	122,308		523	122,831
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue	\$ 283,625	\$ 40,353	\$ 13,387	\$ 337,365
<u>Expenditures</u>				
Current Operating:				
General government	87,858	-	-	87,858
Legislative	13,444			13,444
Township property	33,653			33,653
Public safety	20,074		532	20,606
Public works	71,157			71,157
Cemetery	-	29,753		29,753
Parks and recreation	1,520			1,520
Capital Outlay	-	5,857		5,857
Intergovernmental Payments	-			-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	227,706	35,610	532	263,848
Excess (Deficiency) of Revenues Over Expenditures	55,919	4,743	12,855	73,517
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Residual equity transfer out			(73,213)	(73,213)
Loss on investments			(2,013)	(2,013)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources(Uses)	-	-	(75,226)	(75,226)
Net Change in Fund Balances	55,919	4,743	(62,371)	(1,709)
Fund Balances - Beginning of Year	862,478	32,696	182,615	1,077,789
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances - End of Year	\$ 918,397	\$ 37,439	\$ 120,244	\$ 1,076,080
	<hr/>	<hr/>	<hr/>	<hr/>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

GOVERNMENTAL FUNDS**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES***YEAR ENDED MARCH 31, 2006***Net Change in Fund Balances - Total Governmental Funds** **\$ (1,709)**

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures; in
the statement of activities, these costs are allocated over their
estimated useful lives as depreciation.

Depreciation Expense

(4,043)

Capital Outlay

5,857

Total

1,814

Revenue reported in the statement of activities that does not provide
current financial resources and are not reported as revenue
in the governmental funds

-

Accrued interest is recorded in the statement of activities when
incurred; it is not reported in governmental funds until paid

-

Repayment of bond principal is an expenditure in the governmental
funds, but not in the statement of activities (where it reduces
long term debt)

-

Increases Decreases in compensated absences are reported as
expenditures when financial resources are used in the governmental
funds in accordance with GASB Interpretation No. 6

-

Change in Net Assets of Governmental Activities**\$ 105**

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF FUND NET ASSETS – ENTERPRISE FUNDS

MARCH 31, 2006

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Enterprise Funds</u>
<u>ASSETS</u>			
Current Assets:			
Cash, unrestricted	\$ 54,425	\$ 197,573	\$ 251,998
Receivables, net			-
Accounts	2,305	3,880	6,185
Internal Balances	-	(84,685)	(84,685)
Total Current Assets	56,730	116,768	173,498
Noncurrent Assets:			
Designated cash and investments	208,350	-	208,350
Capital Assets:			
Buildings	10,000	-	10,000
Equipment	217,632	51,767	269,399
Infrastructure	22,500	2,830,908	2,853,408
Construction in progress	128,976	-	128,976
Less:			
Allowance for depreciation	(130,418)	(1,019,990)	(1,150,408)
Total Capital Assets, Net	248,690	1,862,685	2,111,375
Total Noncurrent Assets	457,040	1,862,685	2,319,725
TOTAL ASSETS	\$ 513,770	\$ 1,979,453	\$ 2,493,223
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	7,189	-	7,189
Total Current Liabilities	7,189	-	7,189
TOTAL LIABILITIES	7,189	-	7,189
<u>NET ASSETS</u>			
Invested in capital assets, net			
of related debt	248,690	1,862,684	2,111,374
Unreserved, Designated	208,350	-	208,350
Unreserved, Undesignated	49,541	116,769	166,310
TOTAL NET ASSETS	\$ 506,581	\$ 1,979,453	\$ 2,486,034

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS – ENTERPRISE FUNDS

MARCH 31, 2006

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
<u>OPERATING REVENUE</u>			
Charges for Services	\$ 126,272	\$ 127,479	\$ 253,751
Miscellaneous Revenue			-
TOTAL OPERATING REVENUE	126,272	127,479	253,751
<u>OPERATING EXPENSES</u>			
Personal Services and Benefits	45,814	6,799	52,613
Contractual Services	1,574	49,890	51,464
Repairs and Maintenance	8,646	1,738	10,384
Other Supplies and Expenses	38,524	4,896	43,420
Administrative Expenses	2,429	367	2,796
Depreciation	18,096	59,304	77,400
Miscellaneous	96	-	96
TOTAL OPERATING EXPENSES	115,179	122,994	238,173
Operating Profit (Loss)	11,093	4,485	15,578
<u>NON-OPERATING INCOME</u>			
Interest Income	9,191	1,910	11,101
Residual equity transfer-Twp Revolving Fund	73,213	-	73,213
<u>NON-OPERATING EXPENSES</u>			
Loss on Investments	(2,226)	-	(2,226)
Net Income (Loss)	91,271	6,395	97,666
NET ASSETS, BEGINNING OF YEAR	<u>415,310</u>	<u>1,973,058</u>	<u>2,388,368</u>
NET ASSETS, END OF YEAR	<u>\$ 506,581</u>	<u>\$ 1,979,453</u>	<u>\$ 2,486,034</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

FISCAL YEAR ENDED MARCH 31, 2006

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM (USED BY)			
<u>OPERATING ACTIVITIES</u>			
Net cash received from fees and services	\$ 145,000	\$ 125,742	\$ 270,742
Other operating revenues	-	-	-
Cash payments to employees for services	(45,814)	(6,799)	(52,613)
Cash payments to goods and services	(51,269)		(51,269)
Other operating expenses	-	(56,891)	(56,891)
	<u> </u>	<u> </u>	<u> </u>
NET CASH FROM OPERATING ACTIVITIES	\$ 47,917	\$ 62,052	\$ 109,969
<u>NON CAPITAL AND FINANCING ACTIVITIES</u>			
Increase (decrease) in due to other funds	-	(19,274)	(19,274)
(Increase) decrease in due from other funds	-	-	-
Residual equity transfer in	73,213	-	73,213
Net operating transfers in (out)	-	-	-
	<u> </u>	<u> </u>	<u> </u>
NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	\$ 73,213	\$ (19,274)	\$ 53,939
<u>CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Acquisition and construction of capital assets	(125,031)	-	(125,031)
Principal payment on long-term bonds	-	-	-
Interest paid on long-term bonds	-	-	-
Interest and tax expense	-	-	-
Proceeds from borrowings	-	-	-
Contributed capital grants	-	-	-
	<u> </u>	<u> </u>	<u> </u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (125,031)	\$ -	\$ (125,031)
<u>INVESTING ACTIVITIES</u>			
Interest Income	9,191	1,910	11,101
Loss on Investments	(2,226)		(2,226)
Decrease in Investments	(72,982)		(72,982)
	<u> </u>	<u> </u>	<u> </u>
NET CASH FROM INVESTING ACTIVITIES	\$ (66,017)	\$ 1,910	\$ (64,107)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(69,918)	44,688	(25,230)
Cash and Cash Equivalents, Beginning of Year	<u>124,343</u>	<u>152,885</u>	<u>277,228</u>
Cash and Cash Equivalents, End of Year	<u>\$ 54,425</u>	<u>\$ 197,573</u>	<u>\$ 251,998</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
(Continued)

FISCAL YEAR ENDED MARCH 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	WATER FUND	SEWER FUND	TOTAL
	<hr/>	<hr/>	<hr/>
Operating Income	\$ 11,093	\$ 4,485	\$ 15,578
Adjustment to reconcile operating income to net cash provided by operating activities:			
. Depreciation	18,096	59,304	77,400
. Provision for uncollectible accounts			-
. Changes in assets and liabilities :			
(Increase) Decrease in accounts receivable	18,728	(1,737)	16,991
Increase (Decrease) in accounts payable	-	-	-
Increase (Decrease) in deferred revenue	-	-	-
Increase (Decrease) in customer deposits	-	-	-
	<hr/>	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 47,917</u>	<u>\$ 62,052</u>	<u>\$ 109,969</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET ASSETS

MARCH 31, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 9,574</u>
TOTAL ASSETS	\$ 9,574
 <u>LIABILITIES</u>	
Due to Other Funds	889
Due to Other Governmental Units	<u>8,685</u>
TOTAL LIABILITIES	9,574
 <u>NET ASSETS</u>	
Unrestricted	<u>-</u>
TOTAL NET ASSETS	\$ -

The notes to the financial statements are an integral part of this report.

NOTES TO THE FINANCIAL STATEMENTS

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by **Iron River Township**, Iron River, Michigan, conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

THE FINANCIAL REPORTING ENTITY

The Township was organized in 1882 and operates under an elected Board of Trustees (5 people) and provides services to its residents including liquor law enforcement, general administration, and cemetery, water, and sewer services. On July 01, 2000, the City of Iron River was reformed and the Village of Mineral Hills, which had been part of the Township, was annexed by the new City of Iron River. In accordance with the provisions of GASB 14, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by GASB 14 for determining the various governmental organizations to be included in the reporting entity's financial statements include separation of electing governing body and legal status, and fiscal independence.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Township as discretely presented component units.

BLENDED COMPONENT UNITS

A blended component unit is a legally separate entity from the local unit, but it is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government. This is achieved through the discrete presentation method. However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BLENDED COMPONENT UNITS (Continued)

When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

On this basis, there are no blended component units to be reported.

JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINT VENTURES (Continued)

An ongoing financial responsibility is determined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

There are no joint ventures to be reported.

JOINTLY GOVERNED ORGANIZATIONS

A jointly governed organization is a multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

West Iron County Sewer Authority

The **Township of Iron River** entered into an agreement with several governmental entities to form the West Iron County Sewer Authority.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS
(Continued)

West Iron County Sewer Authority (Continued)

The Authority was established in August 1972 under the provisions of Act 233, Public Acts of Michigan, 1955, as amended, and was organized to provide sewer service to the cities of Iron River, Caspian, and Gaastra, and a portion of **Iron River Township**. The first grant applications were filed in 1982. Members from each participating municipality are appointed by their respective governmental entities to serve on the Board of Trustees of the West Iron County Sewer Authority.

Pursuant to the terms of the Authority's Sewer Use Ordinances adopted by the Authority and each Constituent Municipality, the Authority bills each Constituent Municipality monthly based on such Constituent Municipality's percentage of Equal Dwelling Units ("EDUs") to the total member of EDUs for the entire system.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS
(Continued)

West Iron County Sewer Authority (Continued)

Billing to end users is done by each Constituent Municipality using its own billing system and methodology.

Under the EDU system, the Authority adopts a preliminary budget in April of each year for its next fiscal year beginning the following July 01. This preliminary budget is presented to each Constituent Municipality for review and consideration in its budgeting process. Prior to adopting its final budget in June of each year for the fiscal year beginning the following July 01, the Authority holds a public hearing with respect to the preliminary budget.

The preliminary and final budgets calculated EDU charges to cover both operation, maintenance, and replacement ("OMR") expenses and debt retirement expenses.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS
(Continued)

West Iron County Sewer Authority (Continued)

Included in OMR charges are funds for future replacements of all major plant equipment.

During the fiscal year ended March 31, 2006, the **Township of Iron River** paid to the Authority fees totaling \$ 43,862 for OMR and debt retirement.

Financial statements for the West Iron County Sewer Authority can be requested by writing to:

West Iron County Sewer Authority
P.O. Box 246
Caspian, Michigan 49915

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS
(Continued)

West Iron County Fire Board

The West Iron County Fire Board was organized in 1987 and provides fire protection for Iron River, Bates and Stambaugh Townships, and the City of Iron River, Iron County, Michigan.

The Board operates under an appointed Board of Commissioners (9 people) and provides fire protection services to more than 4500 residents.

The Board is funded by assessments from the participating municipalities.

Financial statements are available by writing to:

West Iron County Fire Board
P.O. Box 203
Iron River, Michigan 49935

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS
(Continued)

West Iron County Volunteer Fire Department

The West Iron County Volunteer Fire Department was organized in 1987 and consists of volunteer fire fighters from the City of Iron River and the Townships of Bates, Iron River, and Stambaugh.

The purpose of the organization is to preserve and protect all life and property as declared by the West Iron County Fire Board. The officers, elected by a plurality of votes of members present at the annual meeting consist of a Chief, Assistant Chief, First Captain, Second Captain, Training Officer, and Secretary/Treasurer.

Complete financial statements of the West Iron County Volunteer Fire Department can be obtained from:

West Iron County Volunteer Fire Department
640 9th Street
Iron River, Michigan 49935

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RELATED ORGANIZATIONS

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.

There are no related organizations to be reported.

BASIS OF PRESENTATION

The Township follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 adds the following components to the financial statements:

Management's Discussion and Analysis

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Government-wide financial statements

These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Annual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

Statement of Net Assets

The Statement of Net Assets displays the financial position of the primary government (government and business-type activities).

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Statement of Net Assets (Continued)

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expenses - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government are broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities

The statement of program activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

Budgetary comparison schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public.

Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Township and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary governmental entities for which the government is considered to be financially accountable.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS**

The basic financial statements include both government-wide (based on the Township as a whole) and fund financial statements. The reporting model focus is on both the Township as a whole and the fund financial statements, including the major individual funds of governmental and business-type categories, as well as the fiduciary funds, (by category).

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

Both governmental-wide and fund financial statements presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The Township generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Township may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, parks and recreation, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

The program revenues must be directly associated with the function (public safety, public works, parks and recreation, etc.) or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Township does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

In the fund financial statements, financial transactions and accounts of the Township are organized in the basis of funds.

The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing sets of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

**GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)**

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The Township's fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

The various funds are grouped, in the financial statements in this report, into several broad categories as follows:

GOVERNMENTAL FUNDS

These funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the Township's expendable financial resources and the related current liabilities, except those accounted for in the Proprietary Fund, are accounted for through the Governmental Funds.

These funds are as follows:

General Fund

This fund is used for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

General Fund (Continued)

Revenues are derived primarily from property taxes and state and federal distributions, grants, and other intergovernmental revenues.

The General Fund is always considered to be a major fund for reporting purposes.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

The Township's *Liquor Law Enforcement*, and *Cemetery (Operating)* funds are Special Revenue Funds.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

Special Revenue Funds (Continued)

For reporting purposes, the Cemetery (Operating) Fund is a major fund. The Liquor Law Enforcement Fund is a non-major fund.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings--and not principal--may be used for purposes that support the government's programs--that is, for the benefit of the public.

The Township's *Cemetery Perpetual Care Fund* is a Permanent Fund.

For reporting purposes, the Cemetery Perpetual Care Fund is a non-major fund.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

Capital Projects Fund

These funds are used to account for the purchase and/or construction of capital facilities by a governmental unit which are not accounted for by Proprietary Funds, Special Assessment Funds, or Trust Funds. The various resources of the governmental unit to be used in the projects, such as General Fund contributions, grants from other units or government and bond proceeds, flow into the Capital Project Fund. Expenditures incurred in the development of the facility are also recorded within the Capital Project Fund.

The Township's Capital Project Fund is considered to be a non-major fund for reporting purposes. It was closed during the 2005-06 fiscal year with a residual equity transfer to the water fund for capital improvements to the Township's water system.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPRIETARY FUNDS

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises----where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

The Township's *Water Fund* and *Sewer Fund* are Enterprise Funds. Both qualify as major funds for reporting purposes.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FIDUCIARY FUNDS

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds.

The Township's *Current Tax Collection Fund* is a Fiduciary Fund.

MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

The government-wide statement of net assets and statement of activities, all proprietary funds, and private trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets. Proprietary fund-type operating statements present increase (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities, financial statement of Proprietary Funds and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

The fund financial statements of the General, Special Revenue, Permanent, and Capital Projects funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within sixty days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenue is considered to be measurable and available as revenue when related eligible expenditures are incurred.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

The local government unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

ENCUMBRANCES

It is the Township's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

CASH AND CASH EQUIVALENTS

The Township pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The Township classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

INVENTORIES

Inventories of supplies are expended as received.

RECEIVABLES

Accounts which will be collected within sixty days of year-end are accrued as accounts receivable in the General, Permanent, and Special Revenue Funds. User charges for the Proprietary Fund are recorded as receivable when billed. On an annual basis the charges are reviewed for collectibility. Those deemed uncollectible are assigned to the tax roll.

INTEREST RECEIVABLE

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

DUE TO/FROM OTHER FUNDS

Transactions between funds that had not been paid or received as of fiscal year end have been recorded as inter-fund accounts receivable and payable in the financial statements. These inter-fund receivables and payables do not represent Board-approved loans between funds.

DEFERRED REVENUE

Deferred revenue represents amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances represent the amount that has been legally identified for specific purposes. Designated fund balances represent amounts earmarked by the Township for future expenditures.

Unreserved retained earnings represent net assets available for future operations or distribution. Reserved retained earnings represent net assets that have been legally identified for specific purposes. Designated retained earnings represent amounts earmarked by the Township for future expenditures.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

BUDGETS AND BUDGETARY ACCOUNTING

The Township follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting procedures. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. Unexpended appropriations lapse at fiscal year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31 of the preceding fiscal year, the Township prepares a budget for the next fiscal year beginning April 01. The operating budget includes proposed expenditures and the means of financing them.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

**BUDGETS AND BUDGETARY ACCOUNTING
(Continued)**

2. A meeting of the Township Board is then called for the purpose of adopting the proposed budget after sufficient public notice of the meeting has been given.
3. Prior to April 01, the budget is legally enacted through passage of a resolution by the members of the Township Board.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Township Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPERTY TAX

Property taxes are levied on December 31 and payable in two installments, July 01 and December 01. They become delinquent the following March 01. The Township bills and collects its own property taxes and also collects taxes for the school districts, county, and library.

Collections for the schools, county, and library are accounted for in the Trust and Agency Fund. Township property tax revenues are recognized when levied to the extent they are receivable. The County of Iron purchases from the Township the delinquent real property taxes outstanding as of March 31 of each year.

The 2005 taxable valuation of the Township totaled \$41,218,973, on which ad valorem taxes levied consisted of 2.7315 mills for general operating purposes.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

NON-MONETARY TRANSACTIONS

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

CAPITAL ASSETS

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the governmental-wide statements to the extent the Township's capitalization threshold of \$ 500 is met. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings..... 20 - 30 years

Infrastructure..... 10 - 65 years

Furniture and Other

Equipment..... 5 - 20 years

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

To the extent the Township's capitalization threshold of \$500 is met, capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the governmental-wide basis using the straight-line method and the following estimated useful lives:

Land Improvements..... 20 years

Equipment..... 5 - 20 years

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

COMPENSATED ABSENCES

Vacation

Full time Township employees may earn paid vacation after one year of employment. The employees earn paid vacation as follows:

- 1) After 1 year of employment, employees earn 6 days of paid vacation.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

COMPENSATED ABSENCES (Continued)

Vacation (Continued)

- 2) After 5 years of employment, employees earn 12 days of paid vacation.
- 3) After 10 years of employment, employees earn 18 days of paid vacation.
- 4) After 15 years of employment, employees earn 24 days of paid vacation.

Vacation time may carry over to the following year. At March 31, 2006, the Township's liability for accrued vacation was \$ 1,498.

Sick/Funeral Leave

Full time employees are granted 3 days for sick leave and 3 days for funeral leave. Sick and funeral leave may not carry over to the following year.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

POST-EMPLOYMENT BENEFITS

The Township offers no post-employment benefits.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B – INTER-FUND ACTIVITIES

INTER-FUND RECEIVABLES AND PAYABLES

Inter-fund receivables and payables generally do not represent inter-fund borrowings; instead, they routinely represent actual amounts which are pending between funds at year-end due to the timing of cash flows. Generally, these amounts clear shortly after year-end when resources become available.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE B – INTER-FUND ACTIVITIES (CONTINUED)

The amounts of the inter-fund receivables and payables as of March 31, 2006 were as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Inter-fund Payable</u>
General	\$ 85574	\$ 0
Cemetery	1425	0
Sewer	0	84685
Trust and Agency	0	889
Cemetery Perpetual		
Care Trust Fund	<u>0</u>	<u>1425</u>
Totals	\$ <u>86999</u>	\$ <u>86999</u>

As reflected above, the Cemetery Perpetual Care fund owes the Cemetery Operating fund \$ 1,425, resulting from a past year's expenditure being paid from the operating fund, rather than from the unreserved balance of the perpetual care fund, as intended.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE B – INTER-FUND ACTIVITIES (CONTINUED)

The Trust and Agency Fund held tax dollars due to the General Fund as of March 31.

The Sewer Fund owes the General Fund \$84,685, resulting from the refinancing of a sewer fund loan.

OPERATING TRANSFERS

Inter-fund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

During the fiscal year ended March 31, 2006, the Township authorized no transfers.

NOTE C - CASH, DEPOSITS, AND INVESTMENTS

PRIMARY GOVERNMENT

On March 31, 2006, the carrying value of the Township's deposits (Primary Government) was \$ 625,939 and is comprised of cash and deposits reflected in the following funds:

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT (Continued)

Governmental Funds

General Fund	\$ 303176
Liquor Law Enforcement Fund	1229
Cemetery Fund	36014
Township Improvement Revolving Fund	<u>0</u>

***Total Governmental Funds* 340419**

Enterprise Funds

Water Supply System Fund	54425
Sewer Fund	<u>197573</u>

***Total Enterprise Funds* 251998**

Fiduciary Funds

Tax Collection Fund	<u>9574</u>
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***Total Fiduciary Funds* 9574**

Permanent Funds

Cemetery Perpetual Care Trust Fund	<u>23948</u>
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***Total Permanent Funds* 23948**

TOTAL PRIMARY GOVERNMENT \$ 625939

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

The three levels of risk are as follows:

Category 1

Deposits which are insured or collateralized with securities held by the Township or its agent in the Township's name.

Category 2

Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

Category 3

Deposits which are not collateralized or insured.

Based on these levels of risk, the Township's cash deposits
(Primary Government) are classified as follows:

SCHEDULE OF CASH AND DEPOSITS

PRIMARY GOVERNMENT

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Totals</u>
Cash and Deposits	\$ 111096	\$ -0-	\$ 514843	\$ 625939

INVESTMENTS

The Township's investments are categorized below to give an
indication of the level of risk assumed at year-end.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

INVESTMENTS (Continued)

Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. **Category 2** includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the Township's name. **Category 3** includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the Township's name.

Investments for the Township are reflected below:

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
	\$ <u>-0-</u>	\$ <u>840864</u>	\$ <u>-0-</u>	\$ <u>840864</u>	\$ <u>840864</u>
Total Investments	\$ <u>-0-</u>	\$ <u>840864</u>	\$ <u>-0-</u>	\$ <u>840864</u>	\$ <u>840864</u>

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY

Act 196, PA 1997, authorizes the Township to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
5. Bankers acceptance of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

The Township has adopted an investment policy, allowing for all types of deposits and investments listed above. The Township's deposits and investments are in compliance with its investment policy.

NOTE D - PENSION PLAN

The Township maintains a fully funded pension plan for its full-time employees and trustees through John Hancock. The contribution for the year ended March 31, 2006 was \$6,800. The plan is fully funded by annuity contracts. On the most recent statement prepared, as of December 2005, the value of the account was \$ 42,459.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

BUDGET VIOLATIONS

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated. The Township's actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis. The approved budgets of **Iron River Township** were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

The total actual 2005-2006 expenditures for all activities (cost centers) did not exceed the amended budget allocations.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE F - ACCUMULATED FUND DEFICITS

At March 31, 2006, the Township had no fund balance/retained earnings deficit in any fund.

NOTE G - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in the past three fiscal years.

NOTE H - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended March 31, 2006:

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE H - CAPITAL ASSETS (CONTINUED)

	Balance March 31, 2005	Increases	Decreases	Balance March 31, 2006
<u>GOVERNMENTAL ACTIVITIES</u>				
Capital Assets Not Being Depreciated	\$	\$	\$	\$
Land and Land Improvements	5226	0	0	5226
Total Capital Assets Not Being Depreciated	\$ 5226	\$ 0	\$ 0	\$ 5226
<u>Other Capital Assets</u>				
Buildings	242452	0	0	242452
Furniture & Other Equip.	75437	5857	0	81294
Water Lines	2331	0	0	2331
Total Other Cap. Assets	\$ 320220	\$ 5857	\$ 0	\$ 326077
<u>Less Accumulated Depreciation for:</u>				
Buildings	(226044)	(771)	0	(226815)
Furniture & Other Equip.	(61352)	(3236)	0	(64588)
Water Lines	(55)	(36)	0	(91)
Total Accum. Depreciation	(287451)	(4043)	0	(291494)
Other Capital Assets, Net	32769	1814	0	34583
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>37995</u>	\$ <u>1814</u>	\$ <u>0</u>	\$ <u>39809</u>

Depreciation was charged to governmental functions as
unallocated.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE H - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended March 31, 2006:

	Balance March 31, 2005	<u>Increases</u>	<u>Decreases</u>	Balance March 31, 2006
<u>BUSINESS-TYPE ACTIVITIES</u>				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 0	\$ 0	\$ 0	\$ 0
Construction in Progress	0	128976	0	128976
<u>Other Capital Assets:</u>				
Buildings	10000	0	0	10000
Machinery and Equipment	266155	3244	0	269399
Water Mains/Lines	22500	0	0	22500
Sewer Mains/Lines	<u>2830908</u>	<u>0</u>	<u>0</u>	<u>2830908</u>
Total Capital Assets	\$ 3129563	\$ 132220	\$ 0	\$ 3261783

(Continued on page 88)

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE H - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES (Continued)

(Continued from previous page)

	Balance March 31, <u>2005</u>	<u>Increases</u>	<u>Decreases</u>	Balance March 31, <u>2006</u>
Less Accumulated Depreciation for:				
Buildings	\$ (4200)	\$ (200)	\$ 0	\$ (4400)
Machinery and Equipment	(139496)	(20286)	0	(159782)
Water Mains/Lines	(8650)	(500)	0	(9150)
Sewer Mains/Lines	<u>(920662)</u>	<u>(56414)</u>	<u>0</u>	<u>(977076)</u>
Total Accumulated Depreciation	(1073008)	<u>(77400)</u>	<u>0</u>	<u>(1150408)</u>
 TOTAL BUSINESS-TYPE ACTIVITIES	 \$ <u>2056555</u>	 \$ <u>54820</u>	 \$ <u>0</u>	 \$ <u>2111375</u>

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE I - LONG-TERM DEBT

There is no long-term debt for the Township at fiscal year ended March 31, 2006.

NOTE J - SEGMENT INFORMATION - Enterprise Fund

	<u>Water Supply System Fund</u>	<u>Sewer Fund</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 126272	\$ 127479	\$ 253751
Depreciation and Amortization Expense	18096	59304	77400
Operating Income or (Loss)			
Operating Grants, Entitlements, and Shared Revenues	0	0	0
Operating Transfers:			
In	0	0	0
(Out)	0	0	0
Residual Equity Transfer In	73213	0	73213
Tax Revenues	0	0	0
Net Income or Loss	91271	6395	97666

(Continued on page 90)

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE J - SEGMENT INFORMATION - Enterprise Fund (CONTINUED)

(Continued from previous page)

	<u>Water Supply System Fund</u>	<u>Sewer Fund</u>	<u>Total Enterprise Funds</u>
Current Capital:	\$	\$	\$
Contributions	0	0	0
Transfers	0	0	0
Property, Plant, and Equipment			
Additions	132220	0	132220
Deletions	0	0	0
Net Working Capital	49541	116768	166309
Total Assets	513770	1979453	2493223
Bonds and Other Long-Term Liabilities	0	0	0
Payable from Operating Revenues	7189	0	7189
Payable from Other Sources	0	0	0
Total Equity	506581	1979453	2486034

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE K - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

On this basis, there are no related party transactions reported in the financial statements.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2006

NOTE L - SUBSEQUENT EVENTS

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure. They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended March 31, 2006, there were no subsequent events that would have a significant affect on the Township's operations.

NOTE M - COMMITMENTS AND CONTINGENCIES

There are currently no commitments or contingencies which would have a material financial input on the financial statements of the Township.

REQUIRED SUPPLEMENTAL INFORMATION

IRON RIVER TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED MARCH 31, 2006

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<u>REVENUE</u>			
General property taxes	\$ 100,230	\$ 100,230	\$ 112,571
Other local taxes/administration fees	31,600	15,876	17,470
Licenses, permits, and fees	2,375	2,175	2,455
Sale of property	-	-	-
Use of money and property	20,500	20,600	21,487
Charges for services-tax collection	5,400	5,335	5,335
Miscellaneous	-	-	1,999
Intergovernmental	91,275	112,920	122,308
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE	\$ 251,380	\$ 257,136	\$ 283,625
<u>EXPENDITURES</u>			
General government	79,455	90,278	87,858
Legislative	26,781	14,524	13,444
Township property	41,680	37,406	33,653
Department of Public Works	82,714	74,693	71,157
Public Safety	19,250	20,120	20,074
Parks and Recreation	1,500	1,774	1,520
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 251,380	\$ 238,795	\$ 227,706
	-		
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	-	-	-
 Net Change in Fund Balance	 -	 18,341	 55,919
Fund Balance -Beginning of year	862,478	862,478	862,478
Fund Balance - End of year	\$ 862,478	\$ 880,819	\$ 918,397

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE – CEMETERY OPERATING FUND

YEAR ENDED MARCH 31, 2006

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<u>REVENUE</u>			
Grave Openings	\$ 19,300	\$ 30,000	\$ 30,250
Sale of Lots	5,000	7,000	8,000
Vault Rental	750	1,500	1,900
Interest	100	160	203
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE	\$ 25,150	\$ 38,660	\$ 40,353
<u>EXPENDITURES</u>			
Salaries	15,580	24,000	22,569
Fringe Benefits	1,200	1,900	1,727
Printing/Publishing	50	50	45
Gas, Oil, and Fuel	1,300	800	579
Repair and Maintenance	2,750	1,800	1,661
Contract Services	3,235	2,400	1,974
Telephone	435	435	402
Utilities	600	500	378
Miscellaneous	-	500	418
Capital Outlay	-	5,945	5,857
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 25,150	\$ 38,330	\$ 35,610
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	-	-	-
 Net Change in Fund Balance	 -	 330	 4,743
Fund Balance -Beginning of year	32,696	32,696	32,696
Fund Balance - End of year	\$ 32,696	\$ 33,026	\$ 37,439

The notes to the financial statements are an integral part of this report.

OTHER SUPPLEMENTAL INFORMATION

IRON RIVER TOWNSHIP

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

MARCH 31, 2006

	<u>LLE Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Capital Projects Fund</u>	<u>TOTAL</u>
<u>ASSETS</u>				
Cash and Investments (Note C)	\$ 1,229	\$ 120,440	\$ -	\$ 121,669
Due from Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,229</u>	<u>\$ 120,440</u>	<u>\$ -</u>	<u>\$ 121,669</u>
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Due to Other Funds	<u>-</u>	<u>1,425</u>	<u>-</u>	<u>1,425</u>
TOTAL LIABILITIES	-	1,425	-	1,425
FUND BALANCES				
Reserved for Liquor Law Enforcement	1,229			1,229
Reserved for Cemetery Perpetual Care		93,106		93,106
Reserved for Cemetery Operations		<u>25,909</u>		<u>25,909</u>
TOTAL FUND BALANCES	1,229	119,015	-	120,244
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,229</u>	<u>\$ 120,440</u>	<u>\$ -</u>	<u>\$ 121,669</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND
BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**

YEAR ENDED MARCH 31, 2006

	<u>LLE Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Capital Projects Fund</u>	<u>TOTAL</u>
<u>REVENUE</u>				
Use of money and property	\$ 9	\$ 5,176	\$ 2,204	\$ 7,389
Charges for services	150	5,325		5,475
Miscellaneous				-
Sale of property				-
Intergovernmental	523			523
	<u>523</u>	<u> </u>	<u> </u>	<u>523</u>
TOTAL REVENUE	\$ 682	\$ 10,501	\$ 2,204	\$ 13,387
<u>EXPENDITURES</u>				
Current				
Public safety	532			532
Cemetery				-
	<u>532</u>	<u> </u>	<u> </u>	<u>532</u>
TOTAL EXPENDITURES	\$ 532	\$ -	\$ -	\$ 532
Excess (Deficiency) of Revenues Over Expenditures	150	10,501	2,204	12,855
Other Financing Sources (Uses)				
Loss on investments	-	(2,013)		(2,013)
Operating transfers in (out)				
Residual equity transfer out			(73,213)	(73,213)
	<u> </u>	<u> </u>	<u>(73,213)</u>	<u>(73,213)</u>
Total Other Financing Sources (Uses)	-	(2,013)	(73,213)	(75,226)
Net Change in Fund Balances	150	8,488	(71,009)	(62,371)
FUND BALANCE- BEGINNING OF YEAR	<u>1,079</u>	<u>110,527</u>	<u>71,009</u>	<u>182,615</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 1,229</u></u>	<u><u>\$ 119,015</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 120,244</u></u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS

MARCH 31, 2006

	CEMETERY FUND	LIQUOR LAW ENFORCEMENT FUND	TOTAL
<u>ASSETS</u>			
Cash	\$ 36,014	\$ 1,229	\$ 37,243
Due from Other Funds	<u>1,425</u>	<u>-</u>	<u>1,425</u>
TOTAL ASSETS	<u><u>\$ 37,439</u></u>	<u><u>\$ 1,229</u></u>	<u><u>\$ 38,668</u></u>
 <u>FUND EQUITY</u>			
Fund Balance	<u>37,439</u>	<u>1,229</u>	<u>38,668</u>
TOTAL FUND EQUITY	<u><u>\$ 37,439</u></u>	<u><u>\$ 1,229</u></u>	<u><u>\$ 38,668</u></u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
EQUITY - ALL SPECIAL REVENUE FUNDS**

FISCAL YEAR ENDED MARCH 31, 2006

	CEMETERY FUND	LIQUOR LAW ENFORCEMENT FUND	TOTAL
<u>REVENUES</u>			
State Grants	\$ -	\$ 523	\$ 523
Charges for Services	38,250	150	38,400
Rental Income	1,900	-	1,900
Interest	203	9	212
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	\$ 40,353	\$ 682	\$ 41,035
 <u>EXPENDITURES</u>			
Salaries	22,569	494	23,063
Fringe Benefits	1,727	38	1,765
Printing/Publishing	45		45
Gas, Oil and Fuel	579		579
Repair and Maintenance	1,661		1,661
Contract Services	1,974		1,974
Telephone	402		402
Utilities	378		378
Miscellaneous	418		418
Capital Outlay	5857		5857
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 35,610	\$ 532	\$ 36,142
 Excess of Revenues Over (Under) Expenditures	4,743	150	4,893
 FUND BALANCE, APRIL 1	32,696	1,079	33,775
	<hr/>	<hr/>	<hr/>
FUND BALANCE, MARCH 31	\$ 37,439	\$ 1,229	\$ 38,668
	<hr/>	<hr/>	<hr/>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

COMBINING BALANCE SHEET - ALL PROPRIETARY FUND TYPES

MARCH 31, 2006

	WATER FUND	SEWER FUND	TOTAL
<u>ASSETS</u>			
Cash and Deposits :			
Restricted	\$ -	\$ -	\$ -
Unrestricted	54,425	197,573	251,998
Investments :			
Designated for System Improvement	208,350	-	208,350
Undesignated	-	-	-
Accounts Receivable	2,305	3,880	6,185
Property, Plant and Equipment	250,132	2,882,675	3,132,807
Construction in Progress	128,976	-	128,976
Accumulated Depreciation	(130,418)	(1,019,990)	(1,150,408)
TOTAL ASSETS	<u>\$ 513,770</u>	<u>\$ 2,064,138</u>	<u>\$ 2,577,908</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Accounts Payable	7,189	-	7,189
Due To Other Funds	-	84,685	84,685
TOTAL LIABILITIES	7,189	84,685	91,874
<u>FUND EQUITY</u>			
Retained Earnings :			
Unreserved - Designated	208,350	-	208,350
Unreserved - Undesignated	298,231	1,979,453	2,277,684
TOTAL FUND EQUITY	506,581	1,979,453	2,486,034
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 513,770</u>	<u>\$ 2,064,138</u>	<u>\$ 2,577,908</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES

FISCAL YEAR ENDED MARCH 31, 2006

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
<u>OPERATING REVENUE</u>			
Charges for Services	\$ 126,272	\$ 127,479	\$ 253,751
Miscellaneous Revenue	-	-	-
TOTAL OPERATING REVENUE	\$ 126,272	\$ 127,479	\$ 253,751
<u>OPERATING EXPENSES</u>			
Salaries and Wages	42,558	6,310	48,868
Fringe Benefits	3,256	489	3,745
Office Supplies	1,136	367	1,503
Printing/Publishing	1,068	-	1,068
Membership Dues	225	-	225
Gas, Oil and Fuel	5,390	68	5,458
Repair and Maintenance	8,646	1,738	10,384
Purchased Services	1,574	6,028	7,602
Testing/Water Samples	9,158	-	9,158
Telephone	3,954	870	4,824
Utilities	20,022	3,958	23,980
Sewer Treatment :			
Contract Services - O&M	-	31,083	31,083
Contract Services - Debt Retirement	-	12,779	12,779
Depreciation	18,096	59,304	77,400
Miscellaneous	96	-	96
TOTAL OPERATING EXPENSES	\$ 115,179	\$ 122,994	\$ 238,173
Operating Profit (Loss)	11,093	4,485	15,578
<u>NON-OPERATING INCOME</u>			
Interest Income	9,191	1,910	11,101
Residual Equity Transfer-Twp Rev Fd	73,213	-	73,213
<u>NON-OPERATING EXPENSES</u>			
Loss on Investments	(2,226)	-	(2,226)
Net Income (Loss)	91,271	6,395	97,666
RETAINED EARNINGS, APRIL 1	415,310	1,973,058	2,388,368
RETAINED EARNINGS, MARCH 31	<u>\$ 506,581</u>	<u>\$ 1,979,453</u>	<u>\$ 2,486,034</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES

FISCAL YEAR ENDED MARCH 31, 2006

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM (USED BY)			
<u>OPERATING ACTIVITIES</u>			
Net cash received from fees and services	\$ 145,000	\$ 125,742	\$ 270,742
Other operating revenues	-	-	-
Cash payments to employees for services	(45,814)	(6,799)	(52,613)
Cash payments to goods and services	(51,269)		(51,269)
Other operating expenses	-	(56,891)	(56,891)
	<u> </u>	<u> </u>	<u> </u>
NET CASH FROM OPERATING ACTIVITIES	\$ 47,917	\$ 62,052	\$ 109,969
<u>NON CAPITAL AND FINANCING ACTIVITIES</u>			
Increase (decrease) in due to other funds	-	(19,274)	(19,274)
(Increase) decrease in due from other funds	-	-	-
Residual equity transfer in	73,213	-	73,213
Net operating transfers in (out)	-	-	-
	<u> </u>	<u> </u>	<u> </u>
NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	\$ 73,213	\$ (19,274)	\$ 53,939
<u>CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Acquisition and construction of capital assets	(125,031)	-	(125,031)
Principal payment on long-term bonds	-	-	-
Interest paid on long-term bonds	-	-	-
Interest and tax expense	-	-	-
Proceeds from borrowings	-	-	-
Contributed capital grants	-	-	-
	<u> </u>	<u> </u>	<u> </u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (125,031)	\$ -	\$ (125,031)
<u>INVESTING ACTIVITIES</u>			
Interest Income	9,191	1,910	11,101
Loss on Investments	(2,226)		(2,226)
Decrease in Investments	(72,982)		(72,982)
	<u> </u>	<u> </u>	<u> </u>
NET CASH FROM INVESTING ACTIVITIES	\$ (66,017)	\$ 1,910	\$ (64,107)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(69,918)	44,688	(25,230)
Cash and Cash Equivalents, Beginning of Year	<u>124,343</u>	<u>152,885</u>	<u>277,228</u>
Cash and Cash Equivalents, End of Year	<u>\$ 54,425</u>	<u>\$ 197,573</u>	<u>\$ 251,998</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	WATER FUND	SEWER FUND	TOTAL
Operating Income	\$ 11,093	\$ 4,485	\$ 15,578
Adjustment to reconcile operating income to net cash provided by operating activities:			
. Depreciation	18,096	59,304	77,400
. Provision for uncollectible accounts			-
. Changes in assets and liabilities :			
(Increase) Decrease in accounts receivable	18,728	(1,737)	16,991
Increase (Decrease) in accounts payable	-	-	-
Increase (Decrease) in deferred revenue	-	-	-
Increase (Decrease) in customer deposits	-	-	-
NET CASH FROM OPERATING ACTIVITIES	\$ 47,917	\$ 62,052	\$ 109,969

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

BALANCE SHEET - GENERAL FUND*MARCH 31, 2006***ASSETS**

Cash and Deposits	\$ 303,176
Investments	524,926
Receivables :	
Taxes	8,366
Accounts	117
Tax Overpayments	721
Due From Other Funds	<u>85,574</u>
TOTAL ASSETS	<u>\$ 922,880</u>

LIABILITIES AND FUND EQUITY**LIABILITIES**

Accounts Payable	2,910
Deposits	75
Accrued Benefits	<u>1,498</u>
TOTAL LIABILITIES	\$ 4,483

FUND EQUITY

Fund Balance	
Unreserved - Undesignated	<u>918,397</u>
TOTAL FUND EQUITY	<u>918,397</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 922,880</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF REVENUES - GENERAL FUND
ACTUAL AND BUDGET

FISCAL YEAR ENDED MARCH 31, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>TAXES</u>			
Current Tax Levy	\$ 112,571	\$ 100,230	\$ 12,341
Administrative Fees	15,207	14,700	507
Payment in Lieu of Taxes	414	414	-
Commercial Forest/Swamp Tax	1,849	762	1,087
Other Taxes	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL TAXES	130,041	116,106	13,935
<u>FEDERAL GRANTS</u>			
Schools and Roads Grant	24,920	24,920	-
	<hr/>	<hr/>	<hr/>
TOTAL FEDERAL GRANTS	24,920	24,920	-
<u>STATE-SHARED RECEIPTS</u>			
Sales Tax	89,381	80,000	9,381
Metro Act	8,007	8,000	7
	<hr/>	<hr/>	<hr/>
TOTAL STATE-SHARED RECEIPTS	97,388	88,000	9,388
<u>CHARGES FOR SERVICES</u>			
Tax Collection	5,335	5,335	-
	<hr/>	<hr/>	<hr/>
TOTAL CHARGES FOR SERVICES	5,335	5,335	-
<u>INTEREST AND RENTAL</u>			
Interest	26,231	20,000	6,231
Hall Rental	647	600	47
	<hr/>	<hr/>	<hr/>
TOTAL INTEREST AND RENTAL	26,878	20,600	6,278
<u>OTHER REVENUE</u>			
Zoning Permits/Fees	1,305	1,275	30
Land Division Application Fees	1,150	900	250
Miscellaneous	1,999		1,999
Investment Gains (Losses)	(5,391)		(5,391)
	<hr/>	<hr/>	<hr/>
TOTAL OTHER REVENUE	(937)	2,175	(3,112)
TOTAL REVENUES	<u>\$ 283,625</u>	<u>\$ 257,136</u>	<u>\$ 26,489</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF EXPENDITURES - GENERAL FUND
ACTUAL AND BUDGET

FISCAL YEAR ENDED MARCH 31, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>LEGISLATIVE</u>			
<u>Township Board</u>			
Salaries	\$ 3,996	\$ -	\$ -
Fringe Benefits	1,364		
Office Supplies			
Legal Services	235		
Accounting and Audit	6,818		
Membership Dues/Education	930		
Mileage	81		
Miscellaneous	20		
	<hr/>	<hr/>	<hr/>
TOTAL LEGISLATIVE	\$ 13,444	\$ 14,524	\$ 1,080
<u>GENERAL GOVERNMENT</u>			
<u>Supervisor</u>			
Salaries	8,990		
Supplies	625		
Fringe Benefits	3,068		
	<hr/>	<hr/>	<hr/>
Total Supervisor	12,683	13,039	356
<u>Assessor</u>			
Professional Fees	21,039		
Printing and Publishing	359		
Supplies	2,609		
	<hr/>	<hr/>	<hr/>
Total Assessor	24,007	24,200	193
<u>Elections</u>			
Salaries	420		
Fringe Benefits	6		
Supplies	327		
Printing/Publishing	-		
Membership Dues/Education	-		
	<hr/>	<hr/>	<hr/>
Total Elections	\$ 753	\$ 910	\$ 157

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**STATEMENT OF EXPENDITURES - GENERAL FUND
ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<u>GENERAL GOVERNMENT</u>			
<u>Clerk</u>			
Salaries	\$ 14,108	\$ -	\$ -
Fringe Benefits	4,655		
Office Supplies	3,288		
Printing/Publishing	-		
Contracted Services	231		
	<hr/>	<hr/>	<hr/>
Total Clerk	22,282	22,674	392
<u>Treasurer</u>			
Salaries	18,282	-	-
Fringe Benefits	6,238		
Supplies	20		
Printing/Publishing	-		
Contracted Services	-		
Tax Roll	886		
Membership Dues/Education	-		
Mileage	-		
Miscellaneous	-		
	<hr/>	<hr/>	<hr/>
Total Treasurer	25,426	26,506	1,080
<u>Board of Review</u>			
Salaries	489		
Fringe Benefits	38		
Printing/Publishing	200		
Miscellaneous	42		
	<hr/>	<hr/>	<hr/>
Total Board of Review	769	788	19
<u>Zoning</u>			
Salaries	1,335		-
Fringe Benefits	453		
Printing/Publishing	150		
	<hr/>	<hr/>	<hr/>
Total Zoning	1,938	2,161	223
	<hr/>	<hr/>	<hr/>
TOTAL GENERAL GOVERNMENT	\$ 87,858	\$ 90,278	\$ 2,420

The notes to the financial statements are an integral part of this return.

IRON RIVER TOWNSHIP

**STATEMENT OF EXPENDITURES - GENERAL FUND
ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<u>TOWNSHIP PROPERTY</u>			
<u>Township Hall</u>			
Salaries	\$ 3,971	\$ -	\$ -
Fringe Benefits	1,355		
Professional Fees	2,979		
Insurance	14,275		
Printing and Publishing	145		
Gas, Oil and Fuel	259		
Repair and Maintenance	2,618		
Supplies	399		
Utilities	6,870		
Telephone	782		
	<hr/>	<hr/>	<hr/>
Total Township Hall	33,653	37,406	3,753
TOTAL TOWNSHIP PROPERTY	\$ 33,653	\$ 37,406	\$ 3,753
<u>DEPARTMENT OF PUBLIC WORKS</u>			
Salaries	8,420		-
Fringe Benefits	2,256		
Contractual Services	48,824		
Repair and Maintenance	4,156		
Street Lighting	7,501		
	<hr/>	<hr/>	<hr/>
TOTAL DEPARTMENT OF PUBLIC WORKS	\$ 71,157	\$ 74,693	\$ 3,536
<u>PUBLIC SAFETY</u>			
Fire Protection	19,000		-
Repair and Maintenance Supplies	14		
Land Division	1,060		
	<hr/>	<hr/>	<hr/>
TOTAL PUBLIC SAFETY	\$ 20,074	\$ 20,120	\$ 46
COMMUNITY PROMOTION AND RECREATION	1,520	1,774	254
CAPITAL OUTLAY		-	-
TOTAL EXPENDITURES	<u>\$ 227,706</u>	<u>\$ 238,795</u>	<u>\$ 11,089</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

BALANCE SHEET - CEMETERY OPERATING FUND

MARCH 31, 2006

ASSETS

Cash	\$ 36,014
Due from Other Funds	<u>1,425</u>
TOTAL ASSETS	<u>\$ 37,439</u>

FUND EQUITY

Fund Balance	<u>37,439</u>
TOTAL FUND EQUITY	<u>\$ 37,439</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
CEMETERY FUND
ACTUAL AND BUDGET**

FISCAL YEAR ENDED MARCH 31, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Grave Openings	\$ 30,250	\$ 30,000	\$ 250
Sale of Lots	8,000	7,000	1,000
Vault Rental	1,900	1,500	400
Interest	<u>203</u>	<u>160</u>	<u>43</u>
TOTAL REVENUES	\$ 40,353	\$ 38,660	\$ 1,693
<u>EXPENDITURES</u>			
<u>Cemetery Services</u>			
Salaries	22,569	24,000	1,431
Fringe Benefits	1,727	1,900	173
Printing/Publishing	45	50	5
Gas, Oil and Fuel	579	800	221
Repair and Maintenance	1,661	1,800	139
Contract Services	1,974	2,400	426
Telephone	402	435	33
Utilities	378	500	122
Miscellaneous	<u>418</u>	<u>500</u>	<u>82</u>
Total Cemetery Services	29,753	32,385	2,632
Capital Outlay	5,857	5,945	88
TOTAL EXPENDITURES	\$ 35,610	\$ 38,330	\$ 2,720
Excess of Revenues Over (Under) Expenditures	4,743	330	4,413
FUND BALANCE, APRIL 1	<u>32,696</u>		
FUND BALANCE, MARCH 31	<u>\$ 37,439</u>		

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

BALANCE SHEET - LIQUOR LAW ENFORCEMENT FUND

MARCH 31, 2006

ASSETS

Cash	\$ 1,229
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TOTAL ASSETS	\$ 1,229
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FUND EQUITY

Fund Balance	1,229
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TOTAL FUND EQUITY	\$ 1,229
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The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY - LIQUOR
LAW ENFORCEMENT FUND
ACTUAL AND BUDGET**

FISCAL YEAR ENDED MARCH 31, 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
State Grants	\$ 523	\$ 525	\$ (2)
Charges for Services	150	150	-
Interest	<u>9</u>	<u>10</u>	<u>(1)</u>
TOTAL REVENUES	\$ 682	\$ 685	\$ (3)
 <u>EXPENDITURES</u>			
Salaries and Wages	494	557	63
Fringe Benefits	<u>38</u>	<u>43</u>	<u>5</u>
TOTAL EXPENDITURES	\$ 532	\$ 600	\$ 68
 Excess of Revenues Over (Under) Expenditures	 150	 85	 65
 FUND BALANCE, APRIL 1	 <u>1,079</u>		
FUND BALANCE, MARCH 31	<u><u>\$ 1,229</u></u>		

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

BALANCE SHEET – CAPITAL PROJECTS FUND TYPE

TOWNSHIP IMPROVEMENT REVOLVING FUND

MARCH 31, 2006

ASSETS

Cash

\$ -

TOTAL ASSETS

\$ -

FUND EQUITY

Fund Balance

-

TOTAL FUND EQUITY

\$ -

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND TYPE**

TOWNSHIP IMPROVEMENT REVOLVING FUND

FISCAL YEAR ENDED MARCH 31, 2006

REVENUES

Interest Income	\$ 2,204
TOTAL REVENUES	\$ 2,204

EXPENDITURES

Capital Outlay	-
TOTAL EXPENDITURES	-

Excess of Revenues Over (Under) Expenditures	2,204
---	-------

Other Financing Sources (Uses)

Residual Equity Transfer to Water Fund Project	(73,213)
--	----------

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(71,009)
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FUND BALANCE, APRIL 1	71,009
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FUND BALANCE, MARCH 31	\$ -
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The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

BALANCE SHEET - CEMETERY PERPETUAL CARE TRUST FUND*MARCH 31, 2006***ASSETS**

Cash	\$ 23,948
Investments	<u>96,492</u>
TOTAL ASSETS	<u>\$ 120,440</u>

LIABILITIES AND FUND EQUITY**LIABILITIES**

Due To Other Funds	<u>1,425</u>
TOTAL LIABILITIES	1,425

FUND EQUITY

Fund Balance - Restricted for Perpetual Care	93,106
Fund Balance - Restricted for Cemetery Operations	<u>25,909</u>
TOTAL FUND EQUITY	<u>119,015</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 120,440</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
CEMETERY PERPETUAL CARE TRUST FUND**

FISCAL YEAR ENDED MARCH 31, 2006

	<u>EXPENDABLE</u>	<u>NON- EXPENDABLE</u>	<u>TOTAL</u>
<u>REVENUES</u>			
Perpetual Care Receipts		\$ 5,325	\$ 5,325
Interest	<u>5,176</u>	<u> </u>	<u>5,176</u>
TOTAL REVENUES	\$ 5,176	\$ 5,325	\$ 10,501
 <u>EXPENDITURES</u>			
Contracted Services	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	\$ -	\$ -	\$ -
 Excess of Revenues Over (Under) Expenditures	5,176	5,325	10,501
 <u>Other Financing Sources (Uses)</u>			
Loss on valuation of investments	<u>(2,013)</u>	<u>-</u>	<u>(2,013)</u>
Total Other Financing Sources (Uses)	(2,013)	-	(2,013)
 Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,163	5,325	8,488
 FUND BALANCE, APRIL 1	<u>22,746</u>	<u>87,781</u>	<u>110,527</u>
 FUND BALANCE, MARCH 31	<u><u>\$ 25,909</u></u>	<u><u>\$ 93,106</u></u>	<u><u>\$ 119,015</u></u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

BALANCE SHEET - WATER SUPPLY SYSTEM FUND*MARCH 31, 2006***ASSETS**

Cash and Deposits:	
Restricted	\$ -
Unrestricted	54,425
Investments :	
Designated for System Improvement	208,350
Undesignated	
Accounts Receivable	2,305
Property, Plant and Equipment	250,132
Construction in Progress	128,976
Accumulated Depreciation	(130,418)
TOTAL ASSETS	\$ 513,770

LIABILITIES

Accounts Payable	\$ 7,189
TOTAL LIABILITIES	7,189

FUND EQUITY

Retained Earnings :	
Unreserved - Designated	208,350
Unreserved - Undesignated	298,231
TOTAL FUND EQUITY	506,581

TOTAL LIABILITIES AND FUND EQUITY	\$ 513,770
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The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -
WATER SUPPLY SYSTEM FUND**

FISCAL YEAR ENDED MARCH 31, 2006

OPERATING REVENUE

Charges for Services	\$ 126,272
Miscellaneous Revenue	-

TOTAL OPERATING REVENUE **\$ 126,272**

OPERATING EXPENSES

Salaries and Wages	42,558
Fringe Benefits	3,256
Office Supplies	1,136
Printing/Publishing	1,068
Membership Dues	225
Gas, Oil and Fuel	5,390
Repair and Maintenance	8,646
Testing/Water Samples	9,158
Purchased Services	1,574
Telephone	3,954
Utilities	20,022
Miscellaneous	96
Depreciation	18,096

TOTAL OPERATING EXPENSES **\$ 115,179**

Operating Profit (Loss) 11,093

NON-OPERATING INCOME

Interest Income	9,191
Residual Equity Transfer In - Twp Revolving Fund	73,213

NON-OPERATING EXPENSES

Loss on Investments	(2,226)
---------------------	---------

Net Income (Loss) 91,271

RETAINED EARNINGS, APRIL 1 415,310

RETAINED EARNINGS, MARCH 31 **\$ 506,581**

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF CASH FLOWS - WATER SUPPLY SYSTEM FUND

FISCAL YEAR ENDED MARCH 31, 2006

CASH FLOWS FROM (USED BY)

OPERATING ACTIVITIES

Net cash received from fees and services	\$ 145,000
Other operating revenues	-
Cash payments to employees for services	(45,814)
Cash payments to goods and services	(51,269)
Other operating expenses	-
	-

NET CASH FROM OPERATING ACTIVITIES	\$ 47,917
---	------------------

NON CAPITAL AND FINANCING ACTIVITIES

Increase (decrease) in due to other funds	-
(Increase) decrease in due from other funds	-
Residual equity transfer in	73,213
Net operating transfers in (out)	-
	-

NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	73,213
---	---------------

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(125,031)
Principal payment on long-term bonds	-
Interest paid on long-term bonds	-
Interest and tax expense	-
Proceeds from borrowings	-
Contributed capital grants	-
	-

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(125,031)
--	------------------

INVESTING ACTIVITIES

Interest Income	9,191
Loss on Investments	(2,226)
Decrease in Investments	(72,982)
	(72,982)

NET CASH FROM INVESTING ACTIVITIES	\$ (66,017)
---	--------------------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(69,918)
--	----------

Cash and Cash Equivalents, Beginning of Year	124,343
	124,343

Cash and Cash Equivalents, End of Year	\$ 54,425
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The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**STATEMENT OF CASH FLOWS - WATER SUPPLY SYSTEM FUND
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

**CASH FLOWS FROM OPERATING
ACTIVITIES**

Operating Income	\$ 11,093
Adjustment to reconcile operating income to net cash provided by operating activities:	
. Depreciation	18,096
. Provision for uncollectible accounts	-
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	18,728
Increase (Decrease) in accounts payable	
Increase (Decrease) in deferred revenue	-
Increase (Decrease) in customer deposits	-
	<hr/>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 47,917</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

BALANCE SHEET - SEWER FUND*MARCH 31, 2006***ASSETS**

Cash and Deposits :

Restricted

\$ -

Unrestricted

197,573

Accounts Receivable

3,880

Property, Plant and Equipment

2,882,675

Accumulated Depreciation

(1,019,990)**TOTAL ASSETS****\$ 2,064,138****LIABILITIES AND FUND EQUITY****LIABILITIES**

Due to Other Funds

84,685**TOTAL LIABILITIES****84,685****FUND EQUITY**

Retained Earnings

1,979,453**TOTAL FUND EQUITY****1,979,453****TOTAL LIABILITIES AND FUND EQUITY****\$ 2,064,138**

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -
SEWER FUND**

FISCAL YEAR ENDED MARCH 31, 2006

OPERATING REVENUE

Charges for Services	\$ 127,479
Miscellaneous Revenue	-
TOTAL OPERATING REVENUE	\$ 127,479

OPERATING EXPENSES

Salaries and Wages	6,310
Fringe Benefits	489
Office Supplies	367
Gas, Oil and Fuel	68
Repair and Maintenance	1,738
Purchased Services	6,028
Telephone	870
Utilities	3,958
Sewer Treatment :	
Contract Services - O&M	31,083
Contract Services - Debt Retirement	12,779
Depreciation	59,304
Miscellaneous	-
TOTAL OPERATING EXPENSES	\$ 122,994

Operating Profit (Loss)	4,485
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NON-OPERATING INCOME

Interest Income	1,910
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NON-OPERATING EXPENSES

Loss on Investments	-
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Net Income (Loss)	6,395
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RETAINED EARNINGS, APRIL 1	1,973,058
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RETAINED EARNINGS, MARCH 31	<u><u>\$ 1,979,453</u></u>
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The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF CASH FLOWS - SEWER FUND

FISCAL YEAR ENDED MARCH 31, 2006

CASH FLOWS FROM (USED BY)

OPERATING ACTIVITIES

Net cash received from fees and services	\$ 125,742
Other operating revenues	-
Cash payments to employees for services	(6,799)
Cash payments to goods and services	(56,891)
Other operating expenses	-
	-

NET CASH FROM OPERATING ACTIVITIES	\$ 62,052
---	------------------

NON CAPITAL AND FINANCING ACTIVITIES

Increase (decrease) in due to other funds	(19,274)
(Increase) decrease in due from other funds	-
Net operating transfers in (out)	-
	-

NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	\$ (19,274)
---	--------------------

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	-
Principal payment on long-term bonds	-
Interest paid on long-term bonds	-
Interest and tax expense	-
Proceeds from borrowings	-
Contributed capital grants	-
	-

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ -
--	-------------

INVESTING ACTIVITIES

Interest Income	1,910
	1,910

NET CASH FROM INVESTING ACTIVITIES	\$ 1,910
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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	44,688
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Cash and Cash Equivalents, Beginning of Year	152,885
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Cash and Cash Equivalents, End of Year	\$ 197,573
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The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**STATEMENT OF CASH FLOWS - SEWER FUND
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2006

**CASH FLOWS FROM OPERATING
ACTIVITIES**

Operating Income	\$ 4,485
Adjustment to reconcile operating income to net cash provided by operating activities:	
. Depreciation	59,304
. Provision for uncollectible accounts	-
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	(1,737)
Increase (Decrease) in accounts payable	-
Increase (Decrease) in deferred revenue	-
Increase (Decrease) in customer deposits	-
	<hr/>
NET CASH FROM OPERATING ACTIVITIES	\$ 62,052

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - TRUST AND AGENCY FUND

FISCAL YEAR ENDED MARCH 31, 2006

	<u>Balance</u> <u>3/31/2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/2006</u>
<u>ASSETS</u>				
Cash	\$ 109,537	\$1,509,509	\$1,609,472	\$ 9,574
TOTAL ASSETS	<u>\$ 109,537</u>	<u>\$1,509,509</u>	<u>\$1,609,472</u>	<u>\$ 9,574</u>
<u>LIABILITIES</u>				
Due to Other Funds	101,003	121,211	221,325	889
Due to County	1,941	701,711	701,688	1,964
Due to Schools	475	529,913	529,922	466
Due to DIISD	26	83,174	83,173	27
Due to Library	184	55,471	55,655	-
Due to State	5,908	10,043	9,723	6,228
Due to Other	-	7,986	7,986	-
TOTAL LIABILITIES	<u>\$ 109,537</u>	<u>\$1,509,509</u>	<u>\$1,609,472</u>	<u>\$ 9,574</u>

The notes to the financial statements are an integral part of this report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Iron River Township
102 McNutt Road
Iron River, Michigan 49935

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Iron River Township** as of and for the year ended March 31, 2006, which collectively comprise **Iron River Township's** basic financial statements, and have issued our report thereon dated June 08, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Iron River Township's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no such matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

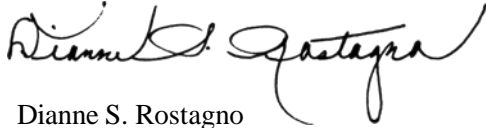
Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Iron River Township's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters regarding the internal control structure and its operation that we have reported to the management of **Iron River Township**, Iron River, Michigan, in a separate letter dated June 08, 2006.

This report is intended solely for the information and use of the audit committee, management, the Board, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with the first name "Dianne" being more prominent.

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

June 08, 2006

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Members of the Township Board
Iron River Township
102 McNutt Road
Iron River, Michigan 49935

In planning and performing the audit of the financial statements of **Iron River Township**, I considered the Township's internal control structure to plan the auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit, I noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect my report dated June 06, 2005 on the financial statements of **Iron River Township**. I will review the status of these comments during my next audit engagement. My comments and recommendations, which have been discussed with appropriate township officials, are intended to improve the internal control structure or result in other operating efficiencies. I will be pleased to discuss these comments in further detail at your convenience or to assist you in implementing the recommendations. My comments are summarized as follows:

BUDGETARY

***** Problem***

During the year ended March 31, 2005, the Township incurred several expenditures which were in excess of amounts appropriated.

Recommendation

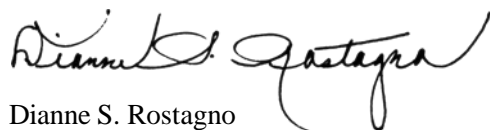
It was recommended that, in the future, closer monitoring should be done in regards to budgetary appropriations and expenditures.

Resolution

This has been satisfactorily resolved.

I wish to express my appreciation to the Township officials for their assistance during my audit engagement.

This report is intended solely for the information and use of the Township Board.



Dianne S. Rostagno
DS ROSTAGNO CPA, P.C.

June 06, 2005